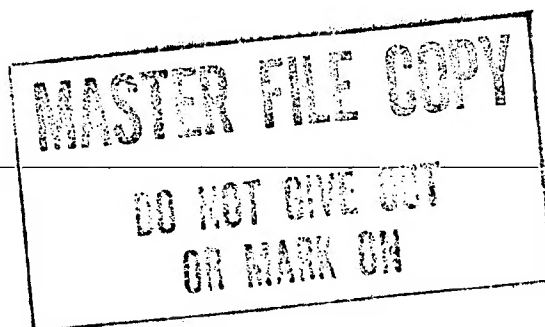




Directorate of
Intelligence

~~Secret~~

25X1



East European Involvement in the International Gray Arms Market

25X1

An Intelligence Assessment

~~Secret~~

GI 84-10019
January 1984

Copy 461

Page Denied



**Directorate of
Intelligence**

Secret

25X1

East European Involvement in the International Gray Arms Market

25X1

An Intelligence Assessment

This paper was prepared by [redacted]
International Security Issues Division, Office of
Global Issues. It was coordinated with the
Directorate of Operations. [redacted]

25X1

25X1

Comments and queries are welcome and may be
directed to the Chief, Weapons Proliferation Branch,
OGI, on [redacted]

25X1

Secret

*GI 84-10019
January 1984*

Secret

25X1

East European Involvement in the International Gray Arms Market

25X1

Key Judgments

*Information available
as of 15 December 1983
was used in this report.*

In addition to the direct sale of military equipment to other governments, most East European nations sell arms and munitions to private dealers and brokers on the international gray arms market. Because of the absence of effective end user controls, much of the ordnance sold on the gray market is acquired by belligerent or embargoed nations and terrorist, insurgent, or criminal groups throughout the Third World and Europe. 25X1

To ensure government control and to provide an element of cover, East European gray-market arms transactions are conducted by state-owned foreign trade organizations, which also engage in government-to-government military sales or commercial arms deals with legitimate foreign clients. Nominally subordinate to their respective ministries of foreign trade, most of these organizations have ties to Bloc military and security services. Given the special role these services play in implementing the policies of the East European Communist parties, we believe that these state-controlled trading firms could not engage in gray-market arms sales without the approval of the political leadership. 25X1

We believe that Moscow has traditionally imposed few restrictions on European gray-market arms sales. 25X1

however, that the Soviets may have recently increased their control over such transactions as a result of European press allegations of Bulgarian involvement in arms and drug smuggling. 25X1

Most East European gray-market arms sales involve conventional small arms that fire Soviet- and Western-caliber ammunition. Although far less sophisticated than other weapons sold on a government-to-government basis, such weapons constitute a major part of insurgent, terrorist, and criminal arsenals. Some East European nations reportedly also supply gray-market clients with unmarked "sterile" weapons or counterfeit copies of Western small arms. In addition to pistols, rifles, and submachineguns, East European arms suppliers also offer man-portable antitank and antiaircraft weapons to gray-market clients. 25X1

Secret

GI 84-10019
January 1984

Secret

25X1

We believe that East European involvement in the international gray arms market is prompted both by political and economic motives:

- Gray-market arms sales allow Bloc nations to earn badly needed hard currency. Our tentative estimate is that East European gray arms sales amount to some \$100 million annually. In contrast with many other East European manufactured goods that have difficulty competing on the international market, East European weapons are well made, relatively inexpensive, and sought after by gray-market clients.
- The use of gray-market trading firms enables East European nations to purchase advanced Western weapons, which they would otherwise be unable to obtain, and to profitably dispose of their surplus and obsolete military stock.
- The use of gray-market intermediaries also allows East European governments to distance themselves from the ultimate end user of their weapons and to maintain an element of deniability should their weapons be discovered in the possession of a politically embarrassing recipient.

25X1

We believe that Eastern Europe's involvement in the gray arms market will continue and probably increase—given the growing demand for illicit weapons throughout the Third World and the large sums of hard currency to be earned in servicing this market. Moreover, East European nations may begin selling more advanced ordnance to gray-market clients in order to maintain and expand their share of lucrative sales. As a result, we expect that significant quantities of silenced weapons, night-vision scopes, automatic grenade launchers, and the newest versions of Bloc man-portable antitank and anti-aircraft weapons will soon become regularly available on the international gray arms market. Much of this ordnance will be acquired by nations or groups inimical to the interests of the United States.

25X1

Secret

Secret

25X1

Contents

	<i>Page</i>
Key Judgments	iii
Introduction	1
Scope and Magnitude	1
Trading Mechanisms	2
Soviet Role	2
Gray-Market Weapons: Small Arms	3
Gray-Market Weapons: Advanced Equipment	4
Motivations	4
Economic Incentives	4
Political Considerations	5
Outlook	8

Appendixes

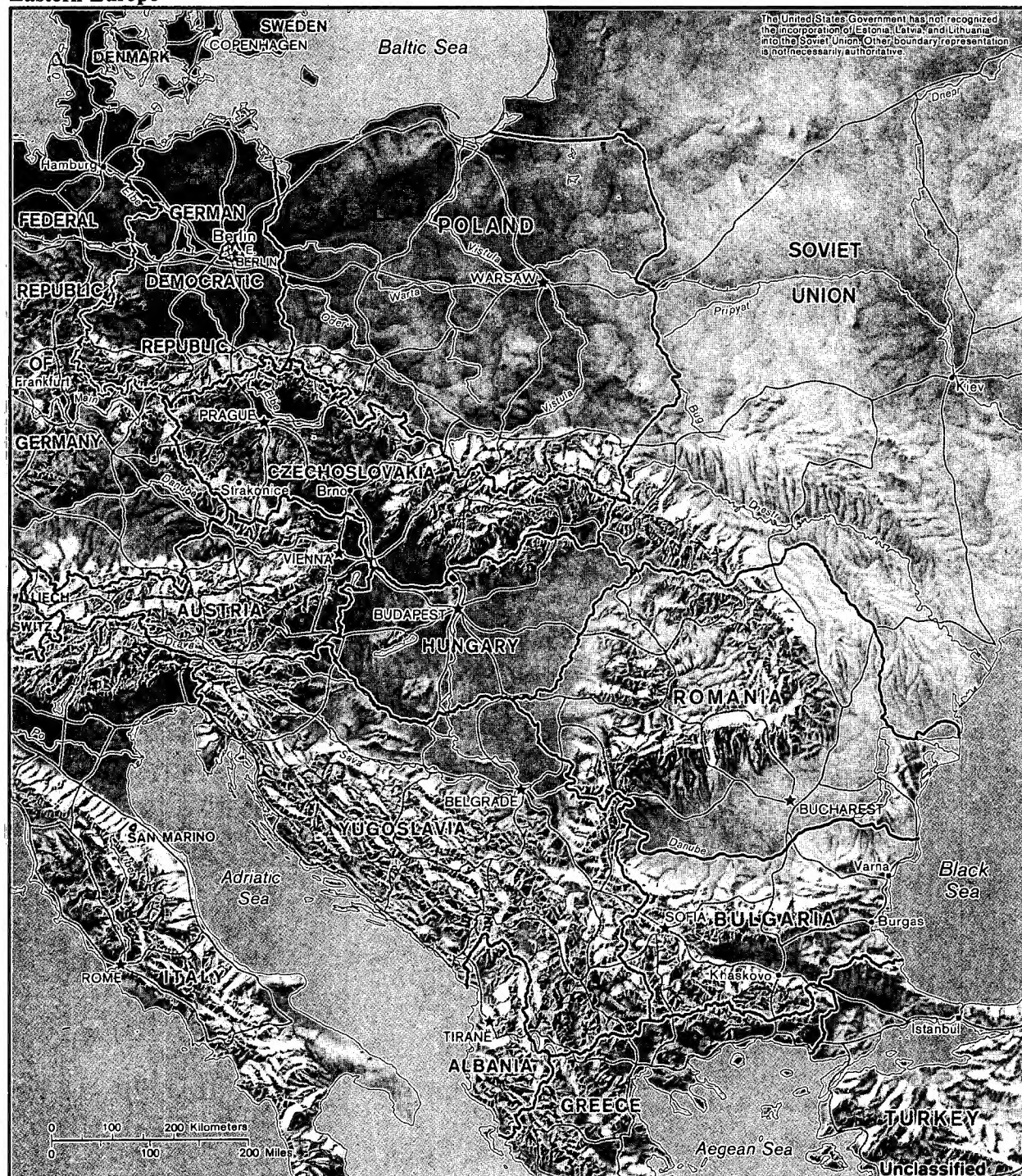
A.	Czechoslovakia	9
B.	Bulgaria	15
C.	Poland	19
D.	Hungary	23
E.	Romania	27
F.	East Germany	29

Secret

Secret

25X1

Eastern Europe



701106 (543707) 1-84

Secret

vi

Secret

25X1

East European Involvement in the International Gray Arms Market

25X1

Introduction

Most East European nations are actively involved in the gray arms market, the sale of arms and munitions on other than a direct government-to-government basis.¹ Because much of this ordnance is acquired by belligerent nations or by terrorist, insurgent, or criminal organizations throughout the Third World and Europe, such sales represent a dangerous form of weapons proliferation. This intelligence assessment examines gray-market arms dealings by East European countries and the political and economic incentives that prompt such sales. A discussion of individual East European arms suppliers, their practices, and the types and ultimate use of some of the weapons they provide is presented in greater detail in the appendixes.

25X1

Scope and Magnitude

In contrast to government-to-government and licensed commercial arms sales, the gray arms market encompasses the transfer of weapons and munitions from legitimate arms suppliers through unofficial—and sometimes illegal—intermediaries. Although the intermediary is often a private individual, corporation, or group, state-controlled enterprises often facilitate the movement of weapons into the international gray arms market. East European nations are actively involved in this market, primarily as suppliers, but occasionally as middlemen or ultimate recipients:

- *Czechoslovakia*, the largest manufacturer and exporter of land armaments in Eastern Europe, is probably the single leading Bloc supplier of gray-market weapons. Czechoslovak arms are reliable, relatively inexpensive, and have been found in the possession of criminal, insurgent, and terrorist groups throughout the Middle East and Europe.

¹ This paper examines the gray arms market activities of Czechoslovakia, Bulgaria, Poland, Hungary, Romania, and East Germany.

25X1

- *Bulgaria* purchases significant quantities of foreign weapons for subsequent resale on the gray arms market. Sofia, in exchange for a fee, will also expedite the flow of arms and other contraband across Bulgarian borders,

and Drug Enforcement Administration

25X1

- *Poland*—with the largest trade deficit of all East European nations—makes large numbers of weapons available to gray-market dealers. Polish arms may, in fact, soon replace some Czechoslovak models as the preferred weapons of many Middle Eastern terrorist groups.

- *Hungary* also sells weapons to private arms dealers,

25X1

Analysis of captured terrorist weapons suggests that Hungary may specialize in the supply of counterfeit Western weapons.

- *Romania*, a relatively new supplier to the gray arms market, currently has more firms engaged in gray-market transactions than any other East European nation.
- *East Germany* has a limited capacity for arms production and, like Bulgaria, may serve as a broker of gray-market weapons.

25X1

We believe that East European nations are major suppliers of gray-market weapons. Our estimate is that East European gray arms sales amount to some \$100 million annually. Because of the secretive nature of the market and general lack of sufficiently detailed reporting, the actual value may be several times greater. Although the amount of gray-market arms sales is small compared to the annual value of East European government-to-government arms deliveries—which averaged \$2 billion over the last five

Secret

25X1

25X1

Most of these foreign trade organizations are primarily involved in overt arms transactions, which provides an element of cover for their gray-market activities. Omnipol, Kintex, Romtehnica, Technika, and Cenzin normally supply weapons on a government-to-government basis, and Merkuria, Universal, and Kintex usually handle legitimate commercial arms deals with foreign clients, but each of these firms also sells weapons to gray-market clients. (S NF)

Soviet Role

We do not know if Moscow is directly involved in the international gray arms market. Soviet firms and officials do not appear to sell weapons to private arms dealers as do their East European counterparts, but Soviet weapons have been discovered in the possession of a wide range of terrorist and insurgent groups. This suggests that, at a minimum, Moscow fails to exercise adequate control over the military equipment it supplies to lesser developed countries.² We believe, moreover, that the Soviets provide weapons to Palestinian groups and patron-state supporters of terrorism with the full knowledge that some of these weapons are resold, traded, or given to other recipients. Although we do not know the exact amount, many of these arms undoubtedly become available to gray-market dealers and clients. (S NF)

There is little doubt that Moscow is well aware of East European involvement in the international gray arms market. We believe the USSR has traditionally imposed few restrictions on these transactions provided the ordnance supplied is limited to small arms, crew-served infantry weapons, and munitions. Press

² Although it is common practice among states exporting military weapons to impose some sort of nominal end-use controls over such ordnance, these controls vary widely. Some suppliers, such as the United States, insist as a precondition for arms transactions that recipients agree not to retransfer any weapons without the consent of the original supplier. Other arms-exporting states assume no responsibility for retransfers of their military equipment. ☐

25X1

25X1

years—gray-market sales pose a danger far in excess of their actual monetary value. In contrast to most official arms transactions—where at least nominal control is maintained over the final disposition of the weapons involved—the ultimate recipient of a gray-market weapon is seldom known in advance. This lack of accountability is further compounded by the longevity of modern small arms, which are easy to maintain or refurbish. These factors allow gray-market weapons to be bought and sold many times and preclude tracing them through complete purchase-to-delivery cycles. ☐

Trading Mechanisms

East European gray-market arms transactions are conducted by state-owned foreign trade organizations

Secret

Secret

allegations of Bulgarian—and, by implication, Soviet—involvement in illicit arms transfers may, however, have caused Moscow to increase its control over East European gray-market activities. [REDACTED]

Table 2
Typical East European Small Arms
Available on Gray Arms Market

Weapon	Caliber ^a	Manufacturer
Handguns		
Duo	6.35 mm*	Czechoslovakia
M-52	7.62 mm	Czechoslovakia
CZ-70	7.65 mm*	Czechoslovakia
AP-66	7.65 mm*	Hungary
Walam	7.65- and 9-mm Short*	Hungary
Firebird	9-mm Parabellum*	Hungary
FP-9	9-mm Parabellum*	Hungary
CZ-75	9-mm Parabellum*	Czechoslovakia
P-64	9-mm Makarov	Poland
Submachineguns		
Skorpion	7.65 mm,* 9-mm Short,* 9-mm Parabellum,* 9-mm Makarov	Czechoslovakia
WZ-63	9-mm Makarov	Poland
Assault rifles		
VZ-58	7.62 mm	Czechoslovakia
AK-47 and AKM	7.62 mm	Poland, Romania, East Germany, Hungary, Bulgaria
Sniper rifles		
FPK (Dragunov)	7.62 mm	Romania

^a Asterisk (*) denotes Western calibers.

Gray-Market Weapons: Small Arms

The majority of East European gray-market arms transactions involve conventional small arms and munitions rather than the more sophisticated weapon systems sold on a government-to-government basis.

sales include pistols, assault rifles, and machineguns of proven Soviet design. They also include weapons produced in Eastern Europe that fire Western-caliber ammunition, which is readily available throughout Europe and the Third World (table 2).

Besides selling their own ordnance, East European nations also purchase large quantities of Western small arms on the gray arms market. Because these weapons are incompatible with those in use by East European military and security services, they are almost certainly intended for resale to gray-market clients with access to Western ammunition:

Some East European nations apparently also manufacture and sell unmarked or counterfeit firearms.

and State Department

Secret

25X1

25X1

Gray-Market Weapons: Advanced Equipment

In addition to small arms, East European nations also sell more sophisticated ordnance on the gray arms market. [REDACTED]

25X1

25X1

25X1

25X1

[REDACTED] Press reports also indicate that SA-7s were discovered in 1973 and 1979 in the possession of suspected Palestinian terrorists in Italy. [REDACTED]

East European nations also use gray-market intermediaries to purchase advanced Western military equipment, which they would otherwise be unable to obtain. Weapons acquired in this manner can either be retained for familiarization or reverse engineering or be resold:

25X1

Motivations**Economic Incentives**

We believe that East European nations sell arms on the international gray arms market for many of the same economic reasons that underly their direct government-to-government arms transactions. Faced with rising trade deficits, these countries have increasingly turned to arms exports to earn hard currency. [REDACTED]

25X1

25X1

Secret

Secret

25X1



[Redacted] 25X1
A wide variety of Drug
Enforcement Administration and [Redacted]

25X1

[Redacted] 25X1
are

25X1

Gray-market sales offer several distinct advantages
over official transactions. [Redacted]

aware of the source of these funds. [Redacted] 25X1

25X1

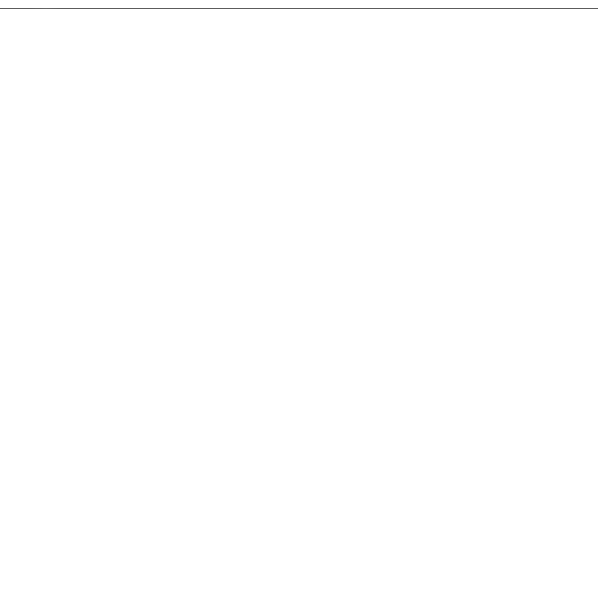
[Redacted] for example, East
European nations almost invariably stipulate payment
in cash—usually in US dollars or West German
marks. This results in an immediate infusion of
convertible currency, precludes complicated, long-
term financial arrangements, and makes tracing such
transactions more difficult. Gray arms market deal-
ings also permit Bloc nations to profitably dispose of
obsolete and surplus weapons, which would otherwise
have to be stored, reconditioned, or given away as
foreign military aid:

Political Considerations

The use of gray-market intermediaries allows East
European governments to distance themselves from
the ultimate end users of their weapons and to
maintain an element of deniability should Bloc weap-
ons be discovered in the possession of politically
embarrassing recipients. Thus, by dealing through
foreign arms dealers or, in some cases, other govern-
ments, East European nations can sell to a wide range
of customers without being seen as selling weapons or
supplying nonsocialist countries. The following repre-
sent some examples of such activities:

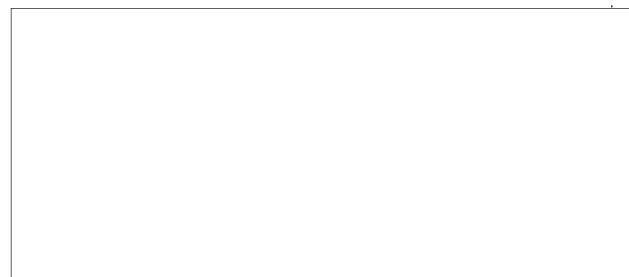
- Bulgaria—acting through private West German
and Austrian arms dealers and a Danish shipping
firm—sold nearly \$50 million worth of small arms
and ammunition to South Africa during 1976-80,
according to European press reports published after
two Danish sailors exposed the operation.³ A Danish
Foreign Ministry official told a US Embassy officer
in 1983 that the Danish Government has known for
some time that Bloc countries have been involved in
arms shipments to South Africa.

25X1



East European nations occasionally trade weapons for
commodities, either for their own use or for resale.

25X1



25X1

Secret

25X1

25X1

Although we cannot confirm Italian press allegations that East European governments supply arms to European terrorists in order to contribute to Western political instability, we believe that lax or nonexistent end user controls have allowed Bloc weapons purchased by private dealers, radical Arab states, and Palestinian organizations to be sold or traded to most major European and Middle Eastern terrorist groups. East European governments may not know the specifics of such arms transfers, but we doubt that they have ever required—or even requested—that their clients cease such activities.

25X1

25X1

We believe that East European nations also use the international gray arms market to curry favor with Moscow by acting as conduits for the supply of arms and munitions to pro-Communist governments, insurgents, and national liberation movements throughout the Third World.

25X1

25X1

According to press reports, Polish weapons were also used in a number of other terrorist attacks on Israeli and Jewish targets in Europe during 1982. It is possible that some of these attacks may have been a form of “payment in kind” by West European terrorist groups for arms supplied in the past by Palestinian terrorists.

25X1

Besides facilitating the sale of arms to customers with access to Western ammunition, East European acquisition of Western small arms may be an attempt to ensure that Western weapons turn up in terrorist arms

25X1

Secret

Secret

25X1

25X1

*Polish rifle-grenades captured
in Lebanon in 1982. Address on
crate indicates that these weap-
ons were intended for use by the
PFLP/General Command.*



Secret

Secret

Charred Czechoslovak and Polish submachineguns recovered from the site of an Armenian terrorist attack on a Turkish diplomatic residence in Portugal in July 1983.



25X1

caches. For example, according to

25X1

25X1

expect that to compete most East European suppliers will not only offer larger quantities of conventional rifles and pistols at competitive prices but also supply increasingly greater amounts of sophisticated ordnance to gray-market customers. As a result, significant quantities of silenced weapons, night-vision scopes, heavy machineguns, automatic grenade launchers, recoilless rifles, and the newest versions of Bloc man-portable antitank and antiaircraft weapons may become regularly available to gray-market buyers by the late 1980s. We expect that terrorist, insurgent, and criminal organizations, as well as nations hostile to the United States, will have little difficulty in purchasing such ordnance.

25X1

25X1

Outlook

We expect that East European involvement in an expanding international gray arms market will increase in the near term. Continued instability in the Third World, arms embargoes on such nations as Argentina and South Africa, the Iran-Iraq war, and the rearming of the PLO as a result of massive materiel losses during the Israeli incursion into Lebanon all represent potentially lucrative markets for East European arms suppliers seeking to earn badly needed hard currency.

25X1

At the same time, however, we believe that, given the increasing number of developing nations—such as China, Singapore, Brazil, South Africa, and Egypt—that manufacture and export small arms, East European nations will experience greater competition. We

Recent media reporting of Bulgarian arms-smuggling activities will probably have little permanent effect on East European gray-market arms operations other than causing the countries involved to exercise greater caution—including the use of additional intermediaries. They are not likely, however, to reduce significantly their level of involvement in a market that is not only financially lucrative, but also pays substantial political dividends to Moscow. For this reason, we also believe that East European governments would not respond positively to any US initiative to curb the flow of arms and munitions into the gray arms market.

25X1

Secret

Secret

Appendix A**Czechoslovakia**

25X1

We believe that Czechoslovakia is one of Eastern Europe's largest suppliers of gray-market weapons—particularly of well-made, relatively inexpensive small arms. With a well-developed industrial base and a strong engineering tradition, Czechoslovakia has had a long and profitable history as an arms manufacturer since before World War I.

[redacted] not only manufacturing Soviet equipment under license, but also producing a higher proportion of weapons of domestic design than any other Soviet satellite. [redacted]

25X1

Omnipol

Czechoslovak military sales are primarily the responsibility of the Omnipol foreign trade organization, a part of Obtechsprava—the Commercial-Technical Directorate—of the Czechoslovak Ministry of Foreign Trade. [redacted]

25X1

25X1

We believe that Omnipol's activities include both government-to-government transfers of heavy ordnance and gray-market sales of small arms. Although Czechoslovak foreign trade directories identify Omnipol as an exporter of hunting and sporting firearms, ammunition, sports and light civil aircraft, and blasting equipment, [redacted]

25X1

Omnipol serves as a covert supplier of arms and offers a wide range of military ordnance, vehicles, and

25X1

equipment. [redacted] various sections within Omnipol specialize in such items as military jet trainers; radars and other airport equipment; rocket and grenade launchers, rifles, mines, and ammunition; tanks and armored vehicles; military production facilities; and military training of foreigners in Czechoslovakia. Although Omnipol probably sells most of these products to other governments, [redacted] has also supplied large quantities of small arms and ammunition to gray-market clients. [redacted]

25X1
25X1**Merkuria**

25X1

We believe that since the mid-1970s another foreign trade enterprise, Merkuria, has increasingly assumed responsibility for Czechoslovak gray-market arms transactions. Although little is known about Merkuria or the nature of its relationship with Omnipol, an analysis of available reporting suggests that, although Omnipol exports small arms and ammunition, the bulk of its foreign sales seems to be in major military items such as tanks, aircraft, and factories. Merkuria, on the other hand, deals almost exclusively with small arms—particularly pistols and assault rifles—and ammunition. [redacted] for example, [redacted] that in 1982 Merkuria was preparing to ship 9,000 unassembled rifles and pistols, valued at \$750,000, to Ghulan Mohd Dossul and Company, a small arms firm in Karachi, Pakistan, at the same time that Omnipol was negotiating the sale of an \$18 million rifle factory with Dossul Engineering, Ltd., a Pakistani firm that appears to be colocated with Ghulan Mohd Dossul in Karachi. Similarly, although still identified in foreign trade journals as an exporter of "electrical and gas appliances, workshop tools, and household articles," in 1983 Merkuria displayed a large selection of military-style small arms at a major West European arms exhibition, [redacted]

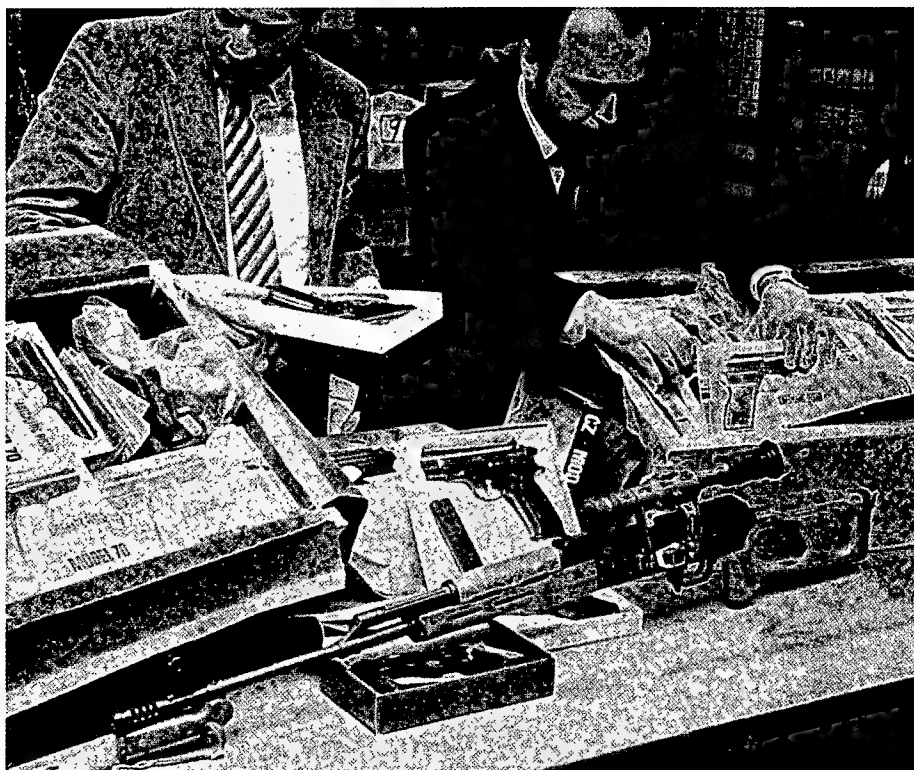
25X1

25X1

Secret

Secret

*Austrian authorities examine
smuggled Czechoslovak and
Romanian weapons seized in
January 1983.*



25X1

25X1

25X1

Merkuria, unlike Omnipol, employs foreign arms
dealers and brokers as trade representatives abroad.

authorities reported that the confiscated weapons
included over 300 Czechoslovak pistols as well as
seven Romanian FPK Dragunov-type sniper rifles. All
of these weapons were reportedly still in their original
factory cartons. Documents discovered in the van
indicated that the pistols were consigned to a private
Austrian arms dealer named Leopold Willert, while
the sniper rifles were intended for Horst Grillmayer,
another Austrian arms dealer who had been previous-
ly linked with the weapon used in the 1981 attempted
papal assassination.

25X1

After being arrested and questioned, Willert admitted
having purchased the pistols from Merkuria in Prague
but stated that he never intended to import them into
Austria.

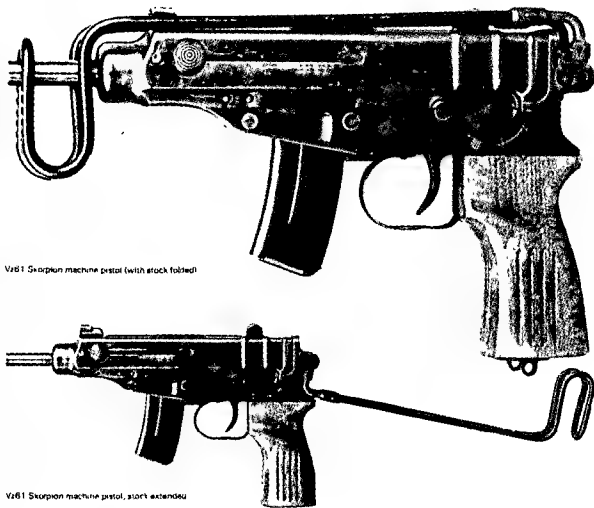
25X1

In addition to selling arms through foreign agents,
Merkuria also sells weapons directly to private arms
dealers and foreign customers. According to European
press reports, for example, Austrian customs authori-
ties at a border crossing with Czechoslovakia seized a
van carrying illegal weapons hidden under a declared
cargo of ammunition on 11 January 1983. Austrian

25X1

Secret

Secret



Skorpion. Seemingly tailor made for terrorists, the Skorpion is less than 11 inches long with its wire shoulder brace folded, weighs under 3 pounds, and is available with a sound suppressor, night-vision sight, and a "brass catcher" to collect the expended cartridges. A selective fire weapon, the Skorpion can operate on both the semiautomatic and full-automatic mode and has a cyclic rate of fire of over 750 rounds per minute. (U)

safehouse by the international terrorist Carlos in 1975 and that Red Brigades terrorists killed former Italian Prime Minister Aldo Moro in 1978 with a Skorpion previously used by the Brigade to assassinate Francesco Coco, the Chief Prosecutor of Genoa.

[redacted] a Skorpion was used in a submachinegun attack on a synagogue in Brussels in September 1982, [redacted]

Terrorist Use of Czechoslovak Weapons

Czechoslovak small arms are particular favorites of terrorist, insurgent, and criminal groups—probably because so many fire easily obtainable Western ammunition. Of the four known versions of the Czechoslovak Skorpion submachinegun, for example, only the 9-mm Makarov Model 65 fires a Soviet cartridge. The others—the 9-mm Short (.380 ACP) Model 64, the 9-mm Parabellum Model 68, and the more common 7.65-mm (.32 ACP) Model 61—all shoot ammunition that is readily available throughout Europe and the Middle East. [redacted]

During the late 1970s, the Skorpion was the preferred assassination weapon of Palestinian terrorists and of those groups they supported. Press reports indicate that two Skorpions were abandoned at a Parisian

Although these weapons may no longer be produced, Skorpions are still available on the international gray arms market. [redacted] for example, an [redacted] firm active on the gray market had 1,400 Model 65 Skorpions available for sale in mid-1982 for \$190 each—less than one-half the price of a well-made Western semiautomatic pistol. [redacted]

In an apparent attempt to capture a share of the market held by the Belgian-made Browning 9-mm Hi-Power pistol, the Ceska Zbrojovka Machinery Enterprise at Strakonice began production of the CZ-75—a large-frame, large-magazine-capacity pistol—in 1975. The CZ-75 was particularly popular among Turkish terrorists during the late 1970s because it chambered the same ammunition used in many of their submachineguns and is superior to the standard Turkish Kirikkale police sidearm, which holds only eight cartridges of far less powerful .32- or .380-caliber ammunition. [redacted]

Secret



25X1

CZ-75. This weapon closely resembles the Browning Hi-Power but features a 15-round clip and a double-action trigger, which allows the firearm to be carried ready to fire with the safety off, a round in the chamber, and the hammer down.



25X1

CZ-70. Generally similar to the West German Walther Police Pistol, this small, defensive side-arm features a double-action trigger and high concealability, which apparently compensate for its underpowered cartridge and its limited magazine capacity of eight rounds.

25X1

25X1

Another popular Czechoslovak weapon is the 7.65-mm (.32 ACP) CZ-70 pistol, which—like the CZ-75—fires Western-caliber ammunition and is made for export.

25X1

25X1

25X1

25X1

Other Czechoslovak pistols have also been reported in the possession of terrorist, insurgent, and criminal groups. According to press reports, French authorities claim that the same 7.65-mm Czechoslovak pistol was used in [redacted] and an Israeli diplomat in 1982, and that a different weapon of the same make and caliber was used in the

unsuccessful attack on a US Embassy officer in 1981.⁵

[redacted] In 1977 the Chief of the Netherlands Bureau for Firearms also told newspaper reporters that the Dutch market for illegal weapons was overrun by "CZ pistols" and that large shipments of these weapons were regularly intercepted coming by truck from Czechoslovakia via Austria to the Netherlands.

25X1

25X1

Czechoslovakia also produces the 7.62-mm VZ-58 assault rifle, which, although similar in concept and external appearance to the AK-47 and AKM, is quite

⁵ We continue to believe, however, that these attacks may have been committed with 7.65-mm Czechoslovak Skorpion submachineguns and not with semiautomatic pistols. According to press reports, French authorities have stated that the empty cartridge cases recovered after all three attacks were fired from Czechoslovak weapons with a vertical ejection system. If these reports are true, then the murder weapons could not have been CZ-70 pistols or the older Czechoslovak 7.65-mm P-27 or CZ-50 pistols, which all have standard Mauser-type right-hand ejection ports. Except for one obscure pistol, which has not been manufactured since the early 1920s, the only Czechoslovak weapon in 7.65-mm with a vertical ejector is the Model 61 Skorpion.

25X1

25X1

25X1

Secret

25X1

25X1

different internally from the Soviet Kalashnikov rifle. [redacted] after Japanese Red Army (JRA) terrorists used this weapon during the 1972 massacre at Lod Airport, a JRA unit adapted this weapon's designation, VZ-58, as its nom de guerre. In late 1979 a US military officer in Turkey observed a case of new, consecutively numbered VZ-58 rifles seized from an illegal arms shipment by Turkish authorities. More recently [redacted]

[redacted] This source also stated that a similar weapon was used during the assassination of anti-Mafia Carabinieri Gen. Dalla Chiesa and his wife in September 1982 and during the murder of Alfio Ferlito, the head of a Sicilian criminal family, who, along with three police escorts and a driver, was ambushed and killed in June 1982. [redacted]

25X1

25X1

25X1

Secret

Appendix B

Bulgaria

25X1

Bulgaria has successfully capitalized on the highly lucrative international gray arms market by combining the role of arms dealer and middleman with the long-established Balkan tradition of smuggling. [redacted]

[redacted] and State Department reporting, Bulgaria has acquired huge quantities of Western and Bloc weapons that are either incompatible with or far in excess of its own domestic needs. In return for badly needed hard currency, many of these arms are sold to Third World governments such as Libya and Iraq, which support international terrorism, and to gray-market arms dealers and brokers.

[redacted]

25X1
25X1

25X1

Kintex

Bulgarian arms purchases and sales are the responsibility of Kintex—a state-controlled foreign trade organization described in official trade journals as an importer/exporter of special hunting, sports, and commissariat articles. [redacted]

25X1

25X1

[redacted]

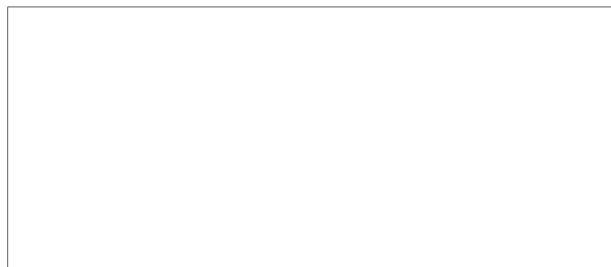
25X1

[redacted]

25X1

Sources of Supply

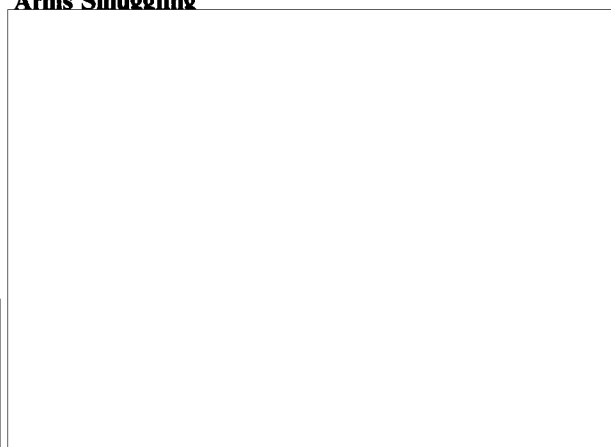
As an official representative of the Bulgarian Government, Kintex is able to acquire large quantities of weapons directly from West European manufacturers (table 3). State Department reports indicate, for example, that Kintex purchased 32,400 pistols between 1974 and 1976 and an additional 22,000 small arms in 1979 from West European sources. Even the United Kingdom exported 2,000 pistols to Bulgaria through "a clerical error" in 1980, according to State Department reporting. (S NF)



25X1

Arms Smuggling

In an apparent effort to diversify its sources of supply for Western small arms,



25X1

25X1

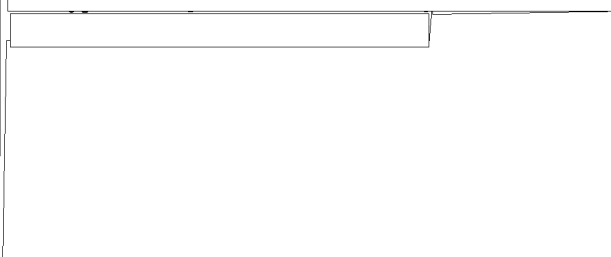
25X1

25X1

example,

25X1

Impressive as these quantities of Western weapons are, we believe that most Bulgarian arms purchases are probably made from other Bloc nations—



25X1

25X1

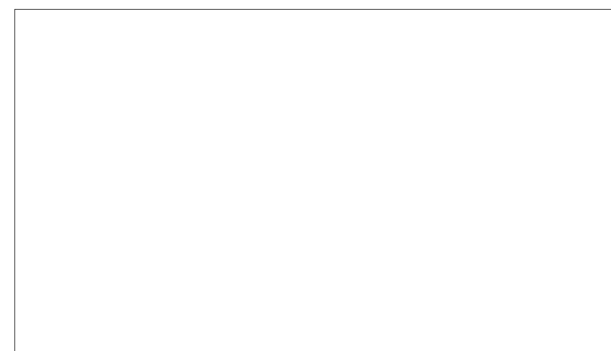
25X1

25X1

25X1

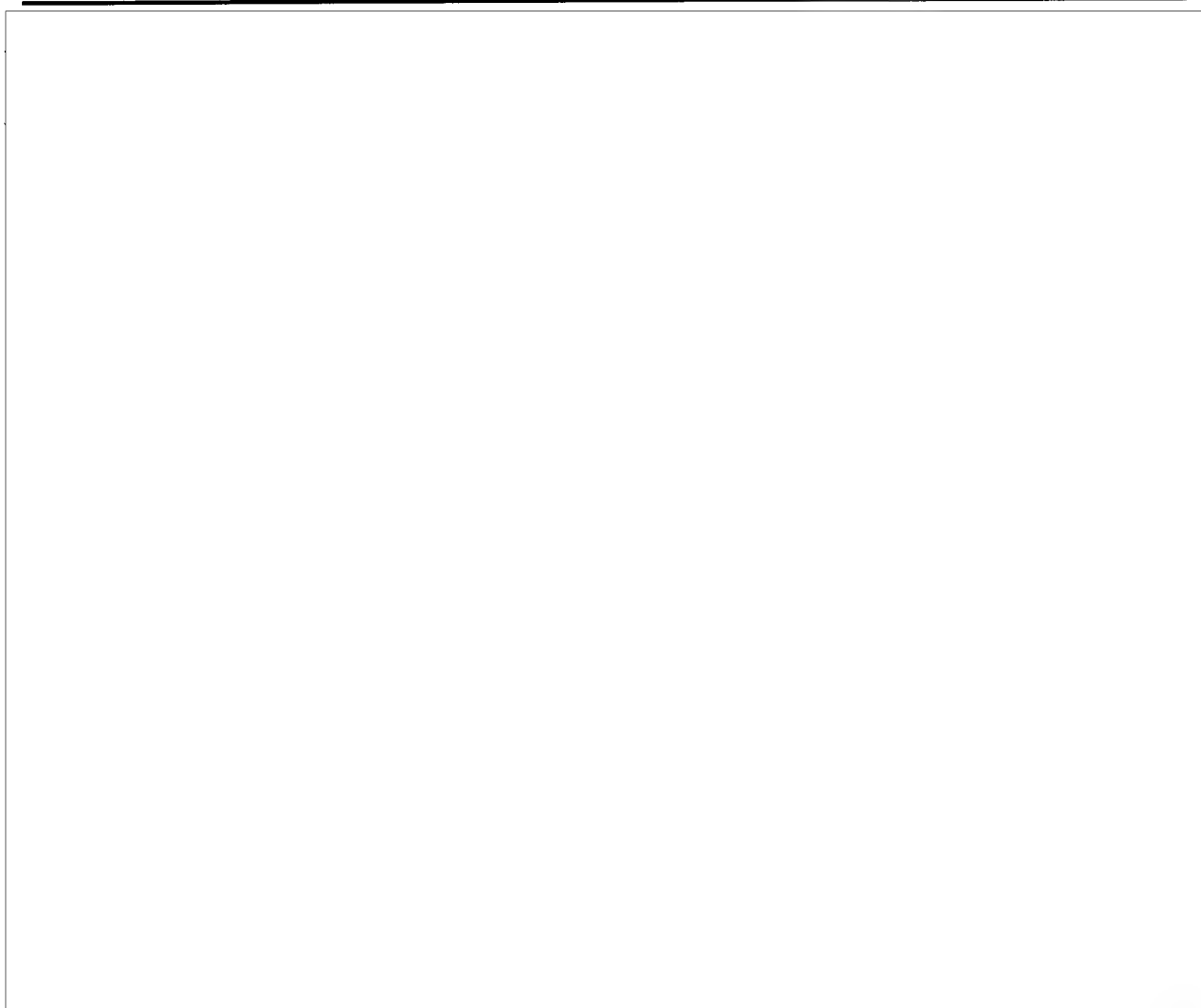
25X1

25X1



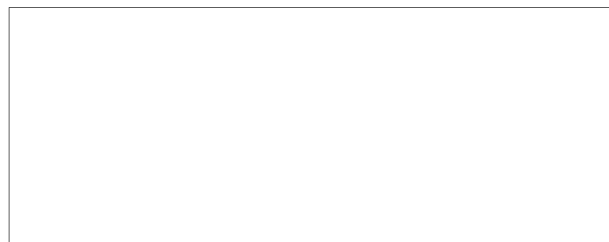
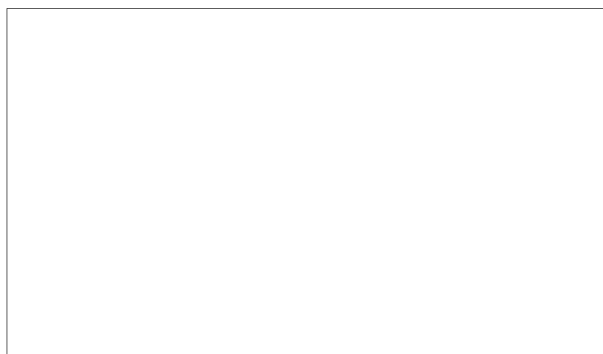
Secret

25X1



25X1

25X1



Secret

25X1

Terrorist Use of Bulgarian Weapons

Although Bulgaria's involvement on the international gray arms market is largely limited to foreign weapons, the Bulgarian-manufactured PG-7 high-explosive, antitank, rocket-propelled grenade is one of the more ubiquitous components of terrorist arsenals throughout the Middle East and Europe.

25X1

25X1

25X1

Secret

Appendix C

Poland

25X1

[Redacted]

Universal

25X1

Another Polish firm engaged in arms exports is Universal, a foreign trade enterprise subordinate to the Polish Ministry of Foreign Trade. According to Polish trade directories, Universal is an import/export firm specializing in household appliances, musical instruments, camping and tourist equipment, and 25X1 sports and hunting ammunition. We believe that Universal sells munitions primarily to private dealers and brokers, in contrast to Cen zin, which primarily engages in government-to-government arms sales. [Redacted]

25X1

[Redacted]

Cen zin

The Central Engineering Directorate—Centralny Zarzad Inzynierii (Cen zin)—of the Ministry of Foreign Trade is primarily responsible for Polish arms exports. [Redacted]

25X1

[Redacted]

25X1

[Redacted]

25X1

25X1

Although the majority of its foreign sales are made on a direct government-to-government basis, Cen zin also sells arms directly to Palestinian organizations. [Redacted]

25X1

[Redacted]

25X1

[Redacted]

25X1

reporting. [Redacted]

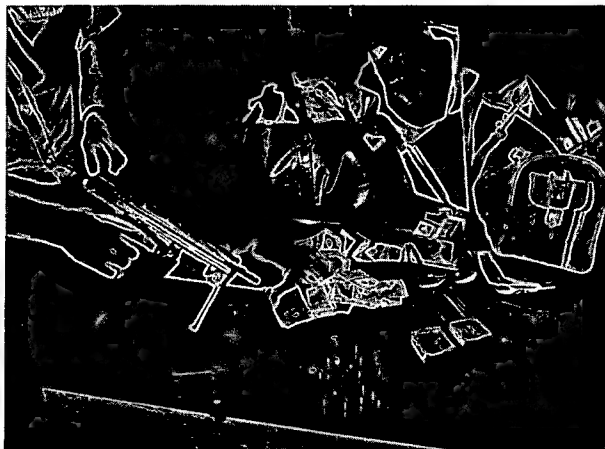
Universal may also provide weapons to terrorist groups. [Redacted] on 7 August 1981 an individual staying at the same hotel in Syria as then leader of the Armenian Secret Army for the Liberation of Armenia (ASALA), Hagop Hagopian, informed Universal that its shipping delay was putting him in a difficult position with his customers. Press reporting indicates that, two weeks later, Lebanese

25X1

25X1

Secret

Secret



WZ-63. Two WZ-63 submachineguns were used by Palestinian terrorists in a 1976 attack on an El Al airliner in Turkey. Weighing less than 2 kilograms and measuring only 33 centimeters in length with its stock folded, the WZ-63—like the Skorpion—is easily concealed and can fire in either the semiautomatic or full-automatic mode.

25X1

authorities seized a shipment of 473 Polish pistols illegally sent to Beirut on a Polish airliner. Given the tenuous links between Hagopian and the Syrian hotel, it is possible that these weapons were intended for ASALA operatives active in Lebanon.

25X1

Terrorist Use of Polish Weapons

Polish weapons are also frequently encountered in the hands of terrorists. The Polish WZ-63 submachinegun, for example, may soon replace the Czech Skorpion as the preferred weapon of Middle Eastern terrorists. Unlike the Skorpion, the WZ-63 fires only the Soviet 9- by 18-mm Makarov cartridge, which is not readily obtainable outside the Bloc. The general unavailability of this ammunition has not, however, prevented a variety of terrorist groups from using the WZ-63 throughout Europe and the Middle East.

Photographs of weapons recovered in July 1983, for example, indicate that Armenian terrorists used WZ-63 submachineguns during an attack on a Turkish diplomatic residence in Lisbon, Portugal. On 7 August 1982 two Armenian terrorists used WZ-63 submachineguns in an attack on Esenboga Airport in

25X1

Turkey, according to State Department reporting. Press reports indicate that, two days later, two Palestinian terrorists fired WZ-63s during a machinegun and grenade attack on a Jewish restaurant in Paris and that the same type of weapon had been used in the attempted assassination of Israeli Ambassador Argov in London on 4 June 1982 as well as in a raid on Vienna's central synagogue in August 1981.

25X1

25X1

European terrorist groups also have access to this weapon—probably through radical Palestinian organizations, which supply arms and training in exchange for logistic and operational support from other terrorist groups.

25X1

25X1

25X1

Press reports indicate that RAF terrorists also employed WZ-63s in a jailbreak of an imprisoned member in Berlin in 1978 and in the abduction of West German industrialist Hanns Martin Schleyer in 1977. In addition, a WZ-63 was recovered from the car in which RAF terrorist Juliane Plambeck died in an auto accident in 1980, according to press reports.

25X1

Secret

Secret



P-64. The double-action P-64 resembles the West German Walther PP but, like the WZ-63, fires the more powerful Soviet 9-mm Makarov pistol cartridge.

25X1

Another popular terrorist weapon is the Polish P-64 semiautomatic pistol. Press reports indicate that P-64s were used in the 9 October 1982 attack on a synagogue [redacted]

25X1

25X1

25X1

25X1

Secret

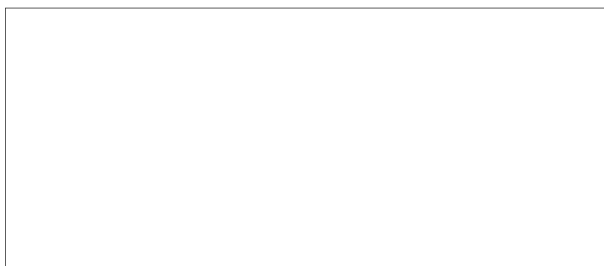
Secret

25X1

Appendix D**Hungary**

25X1

25X1

some of the weapons it produces. 

Commercial


sales of FEG weapons appear to be handled by a firm called Ferunion, which, according to firearms journals, displayed samples of FEG-manufactured pistols and shotguns at a West German arms fair in 1983.

25X1

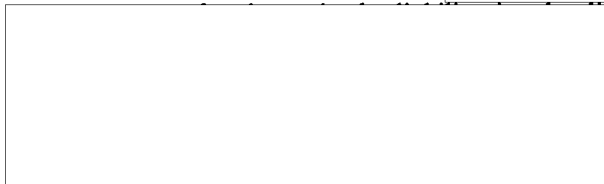
25X1


25X1

Technika

Hungarian arms exports are handled primarily by the military supply organization Technika, 

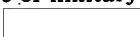
25X1

**Terrorist Use of Hungarian Weapons**

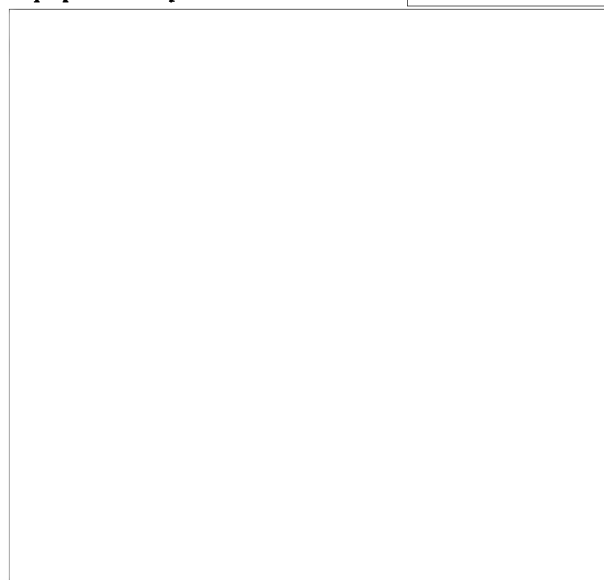
Hungarian weapons frequently turn up in the possession of terrorists. Like Czechoslovakia, Hungary produces a variety of small arms patterned after popular European weapons and that fire readily available Western ammunition. Perhaps the most common are the numerous—and unauthorized—Hungarian versions of the West German Walther police pistol. Like the original Walther, these weapons feature a double-action trigger and are available in both 7.65-mm (the Walant, Hege, or AP66 pistols) and 9-mm short (the Walam or Model 48 pistol). The 9-mm Walam in particular was frequently used by Armenian terrorists in attacks on Turkish diplomats during the late 1970s. According to Interpol reports, four Walam pistols were used during the murders of three Turkish ambassadors, in Vienna in 1975, in Rome in 1977, and in The Hague in 1979. 

25X1

25X1

Technika is also involved in the sale of military equipment to private arms dealers. 

25X1



Although most weapons clearly identify their place of manufacture, some Hungarian pistols feature apparent West German markings with no overt Hungarian attribution. In 1981, for example, numerous "West German Firebird" pistols were confiscated from members of the FP-25 Movement in Portugal and from Basque ETA/PM terrorists in Spain, according

FEG

One of Hungary's main producers of small arms, Fegyver Es Gaz Keszulekek Gyara—the Weapons and Gas Works Factory (FEG)—may also directly sell

Secret

Firebird. Although stamped "West Germany," the 9-mm Firebird is actually a Hungarian version of the Soviet 7.62-mm Tokarev TT33 pistol. Note Hungarian proofmarks and serialization.

25X1



to local security officials. Small arms journals indicate that this weapon—originally known as the Toka-gypt—was manufactured by Hungary for sale to the Egyptian armed forces. After the initial delivery, Egypt canceled the order, and the balance of the contract—estimated to be nearly 15,000 weapons—was released by Hungary to the commercial arms market. The words "West Germany" were presumably added to the slide legend at this time because many Firebirds were sold through the now defunct German firm Hege Waffen.

In addition to its acquisition by Portuguese and Spanish terrorists, this weapon became almost standard issue in West Germany's Baader-Meinhof gang.

25X1

According to press reports, member Rolf Pohle purchased a number of Firebirds using forged gun permits until he was apprehended when an arms dealer in Ulm became suspicious of his papers.

Photographs of arms captured in 1982 by Israeli forces from the Palestinians in Lebanon show what appear to be Hungarian 7.65-mm Walam pistols disguised to look like the Walther police pistol, after which they are modeled. Bearing Hungarian proofmarks on both the frame and slide, these weapons also have chamber indicators located on the upper left side rather than the rear of the slide—a feature unique to

25X1

Secret

Secret

Hungarian 7.65-mm Walam Pistol. These Walther look-alikes are stamped "GSM Mauser Oberaudorf Germany" even though the Mauser firm never produced the Walther PP pistol and is located in Oberndorf, not Oberaudorf. These pistols also feature special recoil springs and extended barrels threaded to accept silencers. (S NF)



the Hungarian Walam. Because their slide legends contain obvious mistakes, we believe that these weapons were sold by Hungary without any attributive markings to a customer who knew little about German pistols but who sought to capitalize on the high prices commanded by German arms—especially in the Middle East.

Browning Hi-Power and is reportedly available with a 12- or 24-round clip.

25X1

25X1

Although it has not yet been reported to have been used by terrorists, Hungary has recently begun production of a new 9-mm Parabellum pistol called the FP9. Like the Czechoslovak CZ-75, this weapon appears to be a double-action version of the Belgian

25X1

Secret

Appendix E

Romania

25X1

Unlike most other East European nations—where one or, at most, two foreign trade enterprises are responsible for foreign arms sales—we believe that several Romanian entities are actively involved in the international gray arms market, probably in response to the Romanian Government's reported desire for all foreign trade organizations to become self-supporting. Little information is available, however, on either the organizations themselves or on their relationships to each other. [redacted]

25X1

Romtehnica

One of the most active of the organizations involved in the arms trade is Romtehnica. [redacted]

25X1

25X1

25X1

[redacted] although some agreements are also negotiated through Romanian military attaches or through special visiting delegations. [redacted]

25X1

Although the bulk of its foreign arms sales appear to be made on a government-to-government basis, a [redacted]

[redacted] Romtehnica offered modern arms and munitions for sale to private buyers. The proffered ordnance reportedly included pistols, Kalashnikov assault rifles, RPG-7 antitank weapons and grenades, and SA-7 surface-to-air missiles and launchers—man-portable weapons that are the stock and trade of gray-market arms dealers. [redacted]

25X1

25X1

25X1

25X1

National Aeronautical Center

[redacted] he National Aeronautical Center (CNA) entered the international arms market in response to a Romanian Government decree in June 1981 that within three months each enterprise should be self-supporting. [redacted]

25X1

25X1

[redacted] CNA officials met the following month in Bucharest with several West European arms brokers to explore the possibilities of CNA dealing in international arms sales. During this and subsequent meetings throughout the summer of 1981, CNA officials negotiated with several well-known European arms brokers for the purchase and sale of a wide range of military ordnance including M-16 rifles, US TOW and Soviet SA-7 missiles, US M-60 and Soviet T-62 and T-72 tanks, and Bell Cobra helicopter gunships. [redacted]

25X1

During these negotiations, CNA's role appeared to be that of an arms broker acting as a middleman for the sale of Bloc ordnance to the West, and for Western—particularly US—weapon systems intended for sale to Middle Eastern clients. Although it is unlikely that any of the parties involved had access to the more sophisticated weapons discussed, it is not unusual for gray-market arms brokers to offer large quantities of advanced, hard-to-obtain military equipment as an entree to a potential client in the hopes of securing a contract to provide other, less exotic ordnance. [redacted]

25X1

Fata

This firm may serve as a front for CNA activities abroad. [redacted] Constantin Luminos—identified as the director of the Fata enterprise—was scheduled to travel to Iraq as part of a Romanian military delegation in August 1982. [redacted]

25X1

25X1

DCD

Another Romanian firm involved in international arms sales, DCD is headquartered in Bucharest [redacted]

25X1

[redacted] Although available information does not permit a more accurate assessment, DCD may serve as the CNA representative to Iran, while Fata is used in CNA arms deals with Iraq. The use of such front organizations would allow CNA to capitalize on the current Iran-Iraq war without the onus of being seen arming both belligerents. For example, [redacted] DCD informed the Iranian Ministry of National Defense for Logistics in late 1982 that it had been offered 200 new engines with gearboxes for the M-60 tank and inquired whether Iran were interested in purchasing these engines. [redacted]

25X1

25X1

25X1

25X1

Appendix F

East Germany

25X1

[redacted] Soviet policy has ensured that the East German armaments industry is one of the smallest in the Bloc. As a result, we believe that East German involvement on the gray arms market is probably limited to selling the few types of small arms that it produces and brokering the sale of larger weapons produced in other East European countries and the Soviet Union. [redacted]

25X1

ITA

Although detailed information is unavailable, we believe that the Engineering-Technical Foreign Trade Corporation—Ingenieur Technischer Aussenhandel (ITA)—may be responsible for most East German arms sales. [redacted]

25X1

25X1

Other Dealers

In addition to ITA—which appears to represent East Germany in its official arms dealings with other recognized governments—one or more smaller East German firms or individuals may also be involved in the international gray arms market, probably as brokers rather than manufacturers of military equipment. One such company, “Firma Petrov Handelskontor” in East Berlin, appears to be colocated with the East German international transport firm Deutrans and may be involved in the covert supply and transportation of weapons. According to State Department reporting, in 1980 it was involved in the transshipment of 500 Uzi submachineguns. [redacted]

25X1

25X1

[redacted] 25X1

More recently, Defense Department reporting indicates that in 1983 the IMES Import-Export Corporation in East Berlin purchased at least 4,000 7.65-mm pistols from the Spanish gun manufacturer Astra. The acquisition of these weapons—which are incompatible with East German arms and twice as expensive as similar 7.65-mm Czechoslovak pistols—strongly suggests that they were intended for resale to a foreign client. [redacted]

25X1

At least one East German firm, Exportkontor, is active on the commercial arms market, where it seeks to capitalize on the German reputation for manufacturing high-quality hunting weapons. In 1983, for example, representatives of this firm exhibited a large variety of shotguns and hunting rifles at a major arms exhibition held in West Germany. Although its activities appear to be overt, we cannot rule out the possibility that Exportkontor, like Merkuria of Czechoslovakia, serves as a front for the covert supply of gray-market weapons. [redacted]

25X1

Insurgent Use of East German Weapons

Although we believe that East Germany's role on the gray arms market is largely that of a broker rather than supplier, some East German small arms have been discovered in the hands of insurgent groups. An analysis of the factory markings on “Soviet AK-50” assault rifles captured by Philippine authorities from New People's Army rebels in early 1982, for example, indicates that the weapons are, in reality, MPiKM assault rifles—the East German version of the Soviet AKM. [redacted]

25X1

Secret